

Message Text

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PAGE 01 STATE 118632

16

ORIGIN EA-06

INFO OCT-01 SS-14 ISO-00 L-01 EB-03 NSC-05 NSCE-00 INR-05

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DRAFTED BY EA/K:PRMAYHEW:JDB

APPROVED BY EA - MR. EDMOND

PRC:JAUBERT

L/EA:PNORTON

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R 140616Z MAY 76

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

INFO AMEMBASSY TAIPEI

AMCONSUL HONG KONG

USLO PEKING

C O N F I D E N T I A L STATE 118632

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, PFOR, CH, KS, US

SUBJECT: GULF OIL'S ROK CONCESSION

1. ON MAY 11 GULF WASHINGTON REPRESENTATIVES ORTIZ AND NELSON CALLED ON DEPUTY ASSISTANT SECRETARY EDMOND IN REGARD GULF'S BLOCK IV CONCESSION FROM ROKG. THEY SAID THAT ZAPATA, WHICH WOULD BE DRILLING AGENT FOR PROPOSED WELLS, WANTED TO BE RELEASED FROM ITS OBLIGATION TO GULF IF DRILLING WERE NOT TO TAKE PLACE. GULF THEREFORE NEEDED TO MAKE A DECISION ON WHETHER IT WOULD GO AHEAD WITH DRILLING.

2. GULF CORPORATE HEADQUARTERS HAD INSTRUCTED NELSON AND ORTIZ TO ASK DEPARTMENT IF THERE HAD BEEN ANY RECENT DEVELOPMENTS WHICH WOULD CAUSE DEPARTMENT TO CHANGE ITS
CONFIDENTIAL

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PAGE 02 STATE 118632

ADVICE NOT TO DRILL AT THE BLOCK IV SITES. IN RESPONSE

TO QUESTION, ORTIZ SAID THAT THERE HAD BEEN NOTHING NEW ON THE KOREAN SIDE TO PRECIPITATE GULF'S DESIRE TO MAKE DECISION NOW.

3. EDMOND TOLD GULF REPS THAT WHILE WE HAD NO LEGAL GROUNDS TO PROHIBIT GULF'S DRILLING IN THE AREA IN QUESTION, OUR STRONG ADVICE REMAINED NOT TO DRILL. HE ADDED THAT IF NOT PRESSED BY THE ROKG, GULF'S BEST COURSE

MIGHT BE TO ATTEMPT TO HOLD THE DRILLING QUESTION IN ITS PRESENT INDEFINITE STATUS.

4. FOLLOWING DAY ORTIZ TELEPHONED EDMOND TO REPORT THAT ALTHOUGH FINAL DECISION HAD TO BE MADE BY GULF'S BOARD OF DIRECTORS, HIS PRINCIPALS BELIEVED THAT GULF WOULD DECIDE NOT TO PROCEED WITH DRILLING. COMPANY, HOWEVER, IS FACED WITH THE NEED TO PROVIDE ROKG WITH WORK PROGRAM IN JULY. PROGRAM WOULD SHOW THEY HAVE NO PLANS TO DRILL AND ROK WOULD "UNDOUBTEDLY" ASK GULF TO RELEASE ITS CONCESSION. GULF WOULD IN ALL PROBABILITY DO SO, CLOSING ITS OFFICE IN SEOUL AND CANCELLING ITS CONTRACT WITH ZAPATA.

5. GULF ESTIMATES THAT BY FOREGOING DRILLING IT WOULD SUFFER A \$2.4 MILLION PENALTY, AS WELL AS BEING REQUIRED TO "WALK AWAY" FROM PROMISING GEOLOGICAL STRUCTURE. COMPANY THEREFORE HAD TWO REQUESTS TO MAKE. FIRST WAS THAT WE NOT INFORM THE KOREAN GOVERNMENT OF GULF'S CONVERSATION WITH US OR GULF'S POSSIBLE DECISION, AND THAT GULF BE PERMITTED TO INFORM ROKG IN JULY. SECONDLY, IF THE ROKG REQUIRES GULF TO RELINQUISH ITS CONCESSION, COMPANY HOPES WE WOULD INFORM ROKG THAT DECISION NOT TO DRILL WAS MADE BY COMPANY RELUCTANTLY AND AT REQUEST OF USG, AND THAT GULF WOULD BE DISTURBED IF ROKG WERE TO TURN THE CONCESSION OVER TO ANOTHER COMPANY, AMERICAN OR FOREIGN, WHICH THEN UNDERTOOK DRILLING ACTIVITIES.

6. EDMOND AGREED TO FIRST REQUEST. HE ALSO TOLD ORTIZ THAT WE WOULD BE PREPARED TO INFORM ROKG THAT GULF'S DECISION NOT TO DRILL WAS MADE AT THE ADVICE OF USG, AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 118632

THAT WE WOULD GIVE SIMILAR ADVICE TO ANY OTHER AMERICAN COMPANY WHICH MIGHT CONSIDER OPERATING IN THE DISPUTED CONCESSION. EDMOND FURTHER SAID THAT WE WOULD CONSIDER POSSIBILITY OF SUGGESTING TO ROKG THAT IT MIGHT WISH TO KEEP THE GULF DRILLING SITUATION IN AN INDEFINITE STATUS UNTIL THERE WERE SOME CLARIFICATION OF THE CONFLICTING POSITIONS OF THE PRC AND THE ROK ON THE AREA. KISSINGER

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